

average number of available licensed beds in the hospital in the period and the number of days in the fiscal period. (8-23-90)

04. Computation of "Swing-Bed" Patient Contribution. The computation of the patient's contribution of swing-bed payment will be in accordance with Subsection 160.03. (12-31-91)

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Appendix D
Audit Rules Applicable to Idaho State Plan Attachment 4.19-D

Provisions in this appendix are only applicable to the Idaho State Plan to the extent that such provisions are directly related to references in the plan to these provisions. In the event of any conflict, difference of definition, ambiguity, discrepancy, or dispute, arising from provisions in this appendix, the provisions of this appendix are subordinate to state plan provisions not in this appendix as determined by the Department. Furthermore, any references to laws, rules, or documents which are exclusive to this appendix (which are not in Attachment 4.19-D of the State Plan) are deemed extraneous to the plan.

IDAPA 16
TITLE 05

Chapter 02
RULES GOVERNING AUDITS OF PROVIDERS

000. LEGAL AUTHORITY.

The Idaho Legislature has granted to the Department of Health and Welfare and the Board of Health and Welfare the power to adopt rules under the provisions of Sections 56-135, 56-202(b), 39-105(1), and 67-2501, et seq., Idaho Code. (4-28-89)

001. TITLE AND SCOPE.

These rules contain the official requirements governing the audits of providers by the Idaho Department of Health and Welfare and are to be cited in full as Idaho Department of Health and Welfare Rules and Regulations, Title 5, Chapter 2, "Rules Governing Audits of Providers." (4-28-89)

002. POLICY.

It is the policy of the Department, through agreement with the provider, to reserve the right to audit the financial and other records of the provider and, where warranted, of related subproviders. The purposes of the audit can be any or all of the following: (4-28-89)

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01. Verification. To verify the actual costs of providing the goods and/or service; and/or (1-16-80)
02. Evaluation. (1-16-80)
- a. To evaluate the provider's compliance with the terms of the provider agreement and any applicable laws and regulations; and/or (4-28-89)
- b. To evaluate the economy and efficiency with which the service is being provided; and/or (1-16-80)
03. Determination of Effectiveness. To determine whether the desired results or benefits of the service are being achieved. (1-16-80)

003. DEFINITIONS.

For the purpose of the rules contained in this chapter, the following terms are used, as defined herein: (12-31-91)

01. Audit. An examination of facility records, meeting certain standards on the basis of which an independent opinion is expressed representing the fairness of the presentation of the financial statements. (4-28-89)
02. Auditor. The individual, representing the Department, in charge of conducting the audit of a non-chain owned facility. (4-28-89)
03. Audit Supervisor. The supervisor of the Office of Audit or that agency's successor. (4-28-89)
04. Chain Organization. A proprietorship, partnership or corporation that provides services to two (2) or more leased, managed and/or owned facilities. (4-28-89)
05. Department. The Idaho Department of Health and Welfare, as created by Section 39-104, Idaho Code. (4-28-89)
06. Draft Audit Report. A preliminary report of audit findings sent to the provider for the provider's review and comment. (4-28-89)
07. Final Audit Report. The final written report from the funding entity. (4-28-89)
08. Funding Entity. The unit within the Department responsible for initiating payments to and monitoring service from the provider. (4-28-89)
09. Interim Final Audit Report. The written report from the Office of Audit, or successor agency, containing the results, findings and recommendations, if any, of the audit of the provider. (4-28-89)
10. Office of Audit. The unit within the Department, or successor agency, responsible for conducting the audit of the provider. (4-28-89)

11. Provider. Any proprietorship, partnership, corporation, or other entity providing goods and/or services to the Department under the terms of a provider agreement. (4-28-89)

12. Related Subprovider. Any proprietorship, partnership, corporation, or other entity related to the provider through common ownership, control or a leasehold relationship which supplies goods or services to the provider and, as a consequence, is compensated by the Department, either directly or indirectly, under the contract between the Department and the provider. (4-28-89)

13. Senior Auditor. The individual representing the Department in charge of conducting the audit of a chain organization. (4-28-89)

004. -- 099. (RESERVED).

100. PROVIDER'S RESPONSIBILITY TO MAINTAIN RECORDS.

The provider must maintain financial and other records in sufficient detail as to allow the Department to meet the audit purposes described in Section 002. (12-31-91)

01. Documentation. Documentation of expenditures must include the amount, date, purpose, payee, and the invoice or other verifiable evidence supporting the expenditure. Cost allocations, including but not limited to depreciation or amortization of assets and the distribution of indirect expenses are subject to those standards for the original expenditure, and, in addition, must be supported by documentation of the basis of the allocation. Sufficient documentation of expenditures should be available for review at the time of the audit field work. The provider shall be given the opportunity to provide documentation before the interim final audit report is issued (see Subsection 200.02). The provider shall not be allowed to submit additional documentation in support of cost items after the issuance of the interim final audit report. 12-31-91)

02. Documentation of Revenues. Documentation of revenues must include the amount, date, purpose, and source of the revenue. (1-16-80)

03. Availability of Records. Records must be available for, and subject to, audit by the Office of Audit with or without prior notice during any working day between the hours of 8:00 a.m. and 5:00 p.m. at the provider's principal place of business in the state of Idaho or at a place approved by the Office of Audit. (4-28-89)

a. If the facility records are maintained at an out-of-state location, the provider must pay for the transportation, meals (at the state of Idaho allowable per diem) and lodging necessary to complete the audit, or bring the records to a location within the state of Idaho.

TN #: 96-09

Date Approved:
Effective Date:

May 29, 1998
October 1, 1996

(4-28-89)

b. If a home office audit is required, the provider must pay for the transportation, meals (at the state of Idaho allowable per diem) and lodging necessary to complete the audit, or bring the records to a location within the state of Idaho. (4-28-89)

04. Retention of Records. Records required under Subsections 100.01. and 100.02. must be retained by the provider for a period of five (5) years from the date of the final payment under the provider agreement. Failure to retain records for the required period constitutes insufficient documentation and can void the Department's obligation to make payment for the goods and/or services. (12-31-91)

101. -- 199. (RESERVED).

200. DRAFT AUDIT REPORT.

Following completion of the audit field work and before issuing the interim final audit report to the funding entity, the Office of Audit will issue a draft audit report and forward a copy to the provider for review and comment. (4-28-89)

01. Review Period. The provider will have a period of sixty (60) days, beginning with the date of transmittal to review and provide additional comments and/or evidence to the Office of Audit relative to the draft audit report. The review period may exceed the sixty (60) days when the provider: (3-28-90)

a. Requests an extension prior to the expiration of the original review period; and (3-28-90)

b. Clearly demonstrates the need for additional time to properly respond. (3-28-90)

02. Evaluation of Provider's Response. The Office of Audit will evaluate the provider's response to the draft audit report and will delete, modify, or reaffirm the original findings, as deemed appropriate, in preparing the interim final audit report. (4-28-89)

201. -- 299. (RESERVED).

300. ISSUANCE OF THE INTERIM FINAL AUDIT REPORT.

The Office of Audit shall provide the funding entity with the interim final audit report. This report

TN #: 96-09

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May 29, 1998

Effective Date:

October 1, 1996

shall identify all decisions of the Office of Audit regarding the findings of the report. The provider's response and an analysis of the response shall be incorporated into the report as appendices. The funding entity shall issue a final audit report and a notice of program reimbursement which sets forth settlement amounts due the state or the provider. The notice of program reimbursement shall take into account the findings made in the interim final audit report, the response of the provider to the draft audit report (see Idaho Department of Health and Welfare Rules and Regulations Title 3, Chapter 10, Section 358., "Rules Governing Medicaid Provider Reimbursement in Idaho") . (12-31-91)

301. -- 995. (RESERVED).

996. ADMINISTRATIVE PROVISIONS.

Contested case appeals shall be governed by Idaho Department of Health and Welfare Rules and Regulations, Title 5, Chapter 3, Section 300., et seq., "Rules Governing Contested Cases and Declaratory Rulings." (12-31-91)

997. CONFIDENTIALITY OF RECORDS.

The disclosure by the Department of any records related to audits of providers must comply with Idaho Department of Health and Welfare Rules and Regulations, Title 5, Chapter 1, "Rules Governing Protection and Disclosure of Department Records." (4-28-89)

998 INCLUSIVE GENDER AND NUMBER.

As used in these rules, the masculine, feminine, or neuter gender, and the singular or plural number, will each be deemed to include the others whenever the context so requires.

(4-28-89)

999. SEVERABILITY.

Idaho Department of Health and Welfare Rules and Regulations, Title 5, Chapter 2 are severable. If any rule, or part thereof, or the application of such rule to any person or circumstance, is declared invalid, that invalidity does not affect validity of any remaining portion of this Chapter.

(4-28-89)

**SECTIONS 250. THROUGH 256. OF ATTACHMENT
4.19-D APPROVED UNDER TN 96-09 AND
APPLICABLE TO NURSING FACILITY REIMBURSEMENT
THROUGH JUNE 30, 1999**

Provisions in this appendix are only applicable to the Idaho State Plan to the extent that such provisions are directly related to references in the plan to these provisions. In the event of any conflict, difference of definition, ambiguity, discrepancy, or dispute, arising from provisions in this appendix, the provisions of this appendix are subordinate to state plan provisions not in this appendix as determined by the Department. Furthermore, any references to laws, rules, or documents which are exclusive to this appendix (which are not in Attachment 4.19-D of the State Plan) are to be deemed extraneous to the plan.

**IDAPA 16
TITLE 03
Chapter 10
250. through 256.**

250. PROSPECTIVE CAPS.

Sections 250 through 256 of these rules, provide procedures and specifications necessary to implement the provisions and accomplish the objectives of the nursing home reimbursement system as specified in Sections 56-101 through 56-135, Idaho Code. (10-1-96)T

251. PRINCIPLE.

Providers of nursing home services will be paid at the allowed amount determined in accordance with Section 56-101 to 56-135, Idaho Code. Total payment will be made up of the total of the following components: (1-1-82)

01. Property and Utility Costs. All allowable property and utility costs; (9-15-84)
02. Nonproperty, Nonutility Costs. Nonproperty nonutility costs as determined in accordance with the above mentioned Sections of the Idaho Code. (9-15-84)
03. Efficiency Increment. An efficiency increment determined in accordance with the above mentioned Sections of the Idaho Code. (1-1-82)
04. Exempt Costs. Other allowable costs exempt from the percentile cap under Sections 56-110(b) and 56-117, Idaho Code, as specified in Subsection 254.08 and 254.09. (12-31-91)

252. PROPERTY AND UTILITY COSTS.

The allowability of each of these cost items will be determined in accordance with other provisions of this chapter, or the HIM-15 in those cases where this the rules of this chapter are silent or not contradictory. Total property and utility costs are defined as being made up of the following cost categories. The Department may require and utilize an appraisal to establish those components of property costs which are identified as an integral part of an appraisal. (10-1-96)T

01. Depreciation. All allowable depreciation expense. (1-1-82)
02. Interest. All allowable interest expense relating to financing building and equipment purchases. Interest on working capital loans will be included as administrative costs. (1-1-82)
03. Property Insurance. All allowable property insurance. Malpractice insurance, workmen's compensation and other employee-related insurances will not be considered to be property costs. (1-1-82)
04. Lease Payments. All allowable lease or rental payments. (1-1-82)
05. Property Taxes. All allowable property taxes. (1-1-82)

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06. Utility Costs. All allowable expenses for heat, electricity, water and sewer. (9-15-84)

253. (RESERVED).

254. COSTS SUBJECT TO A CAP FOR NURSING FACILITIES.

Final reimbursement of these costs will be limited to the amount allowed as determined in accordance with Sections 56-101 through 56-135, Idaho Code. This Section defines items and procedures to be followed in determining this limit. Specifically, this Section provides the procedures for: (10-1-96)T

01. Determining Costs. Extracting cost data from historical cost reports, cost forecasting market basket to project cost forward, procedures to be followed to project costs forward, and procedures for computing the standard deviation of the range of costs and the percentile cap. (1-1-82)

02. Allowable Costs. Allowable costs to be included in this Section, as determined in accordance with this chapter or HIM-15, will be divided by the total patient days for the facility for the cost reporting period to arrive at allowable per diem costs. If costs for services provided some or all non-Medicaid patients are not included on the total submitted costs for those services, the provider must determine the amount of those costs and combine them with the submitted costs in order that a total per diem cost for that facility can be determined both for the purpose of determining the percentile cap and for computing final reimbursement. (12-31-91)

03. Cost Data for Hospital Based Facilities. Cost data to be used to determine the percentile cap for facilities in the hospital facilities based class shall be taken from each provider's most recent twelve (12) month audit report finalized by the Department prior to ninety (90) days before the beginning of the period for which the percentile cap is being determined. (9-28-90)

04. Cost Data for Freestanding Nursing Facilities. Cost data to be used to determine the percentile cap for facilities in the Freestanding Nursing Facilities class shall be taken from each provider's most recent fiscal period closing cost report received by the Department prior to one hundred and twenty (120) days before the beginning of the period for which the percentile cap is being determined. For cost reports covering a period of less than twelve (12) months the reports will be annualized for purposes of cost projections of Subsection 254.10 by extending the reporting period used to one (1) year from the beginning of the cost reporting period. (10-1-96)T

05. **Projection.** Per diem allowable costs will be inflated forward using a cost forecasting market basket and forecasting indices according to the table in Subsection 254.07. (12-31-91)

a. **Cost Forecasting Market Basket:**

Cost Category and Description	Forecaster
Payroll Expense - all wages and salaries excluding benefits	Average hourly earnings in nursing homes and personal care facilities homes
Employee Benefits	Skilled nursing facility employee benefits
Food – Wholesale Price Index	Processed foods and feeds component of the producers price index
Supplies – Include nursing, dietary, laundry, housekeeping and maintenance supplies	All Item Consumer Price Index
Other Business Services - include dues, subscriptions, accounting and legal services, employee recruitment, telephone, office supplies and home office costs.	Service component of the Consumer Price Index
Fuel Oil and Coal	Fuel oil component of the Consumer Price Index
Electricity	Electricity component of the Consumer Price Index
Natural Gas	Utility gas component of the Consumer Price Index
Miscellaneous	All Item Consumer Price Index

b. Forecasting indices as developed by Data Resources, Incorporated, will be used unless they are unavailable. In such case, indices supplied by a successor organization or an organization providing such indices used by the federal government to comply with law or regulation related to forecasting health care costs will be used.

06. **Special Rates.** Section 56-117, Idaho Code, provides for authority to the Director to pay facilities at special rates for care given to patients who have long term care needs beyond the normal scope of facility services. Patients with such needs who are otherwise unable to be placed in a nursing facility may include, but are not limited to, ventilator assisted patients, certain pediatric patients, certain comatose patients, and certain patients requiring nasogastric or intravenous feeding devices. In the event that the Director exercises this authority: (12-28-89)

a. A determination to approve or not approve a special rate will be made on a patient by patient basis. No rate will be allowed if reimbursement for these needs is available from a non-Medicaid resource. (12-28-89)

b. A rate for each approved Medicaid patient will be set by the Department for extra costs the patient is expected to incur in excess of the cost of normal facility services. (12-28-89)

c. Costs equivalent to payments at the special rate will be removed from the category of costs subject to the percentile cap, will be reported separately, and will be fully reimbursed. (12-28-89)

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d. The reimbursement rate paid will not exceed the provider's charges to other patients for similar services. A provider's charges to non-Medicaid patients for similar needs beyond the normal scope of nursing facility services will be the maximum reimbursable amount related to the special rate. If the provider has no other patients who receive such services in the reporting period, the provider's published charges applicable to non-Medicaid patients for such needs will be the maximum reimbursable amount for the special rate. (12-28-89)

07. Costs Excluded From The Percentile Cap. For cost reports filed on or after July 1, 1989, identifiable increases in costs with an expected impact of two cents (\$.02) or more per patient day otherwise subject to the percentile cap incurred by facilities in the ICF/SNF Freestanding class as a result of changes in state or federal laws or rules will be reported separately on the cost report for reports filed less than thirty (30) months, or a greater length of time if so directed by the Department, from the date such increases were first required. Such costs will be subdivided into the component parts of wages, benefits, contracted services and other costs in the amounts equal to costs removed from the respective cost categories subject to the percentile cap. (12-28-89)

a. A separate schedule or notations on the cost report are to be included so these excluded costs can be identified and so reported costs can be reconciled to the provider's general ledger. (12-28-89)

b. If more than one (1) increase occurs as a result of one (1) or more law or rule change, the costs from each event are to be reported separately. (12-28-89)

c. The computation of the cost increase amount or amounts is to be presented in detail on a supplementary schedule or schedules unless the Department provides otherwise. (12-28-89)

d. For interim rate purposes the provider may be granted an increase in interim rates to cover such cost increases as allowed for in Section 303. A cost statement covering a recent period should be submitted with the justification for the increased costs. (12-31-91)

e. After the initial deadline has passed for all providers to file cost reports for reporting periods beginning on or after the date certain cost increases were first required, the Department will, at a time of its choosing, include all of the previously excluded costs related to those increases with costs subject to the percentile cap when setting rates. If a percentile cap is set with these particular costs included in the percentile cap category, providers subject to that percentile cap will not have these costs excluded from the percentile cap for interim rate or final settlement purposes. The intent of this provision is for costs to be exempt from the percentile cap until these costs are able to be fully and equitably incorporated in the data base used to set the percentile cap and for these costs to be exempt only when they are not included in the data base. In those cases, when costs are not incurred immediately after a change in rule or law, delays in incorporating the new costs in the cap are warranted. (12-28-89)

f. When cost increases are to be excluded from the percentile cap and the effect of these cost increases would also be incorporated in the inflation indexes used to set the percentile cap, the cost indexes will be adjusted to exclude the influence of such changes if the amount included in the index is identified. When the percentile cap is set to include previously excluded amounts, any adjustments previously made to the indexes related to the previously excluded costs will be removed. (12-28-89)

08. Cost Projection. Allowable per diem costs will be projected forward from the midpoint of the cost reporting period from which they were derived to the midpoint of the period for which the reimbursement and the limitation of these costs is being calculated. Procedures for inflating these costs are as follows: (1-1-82)

a. The percentage change for each cost category in the market basket will be computed for the beginning to the end of the period from which the per diem costs were derived. These percentages will then be divided by two (2) and the resultant percentages will be used to project forward allowable per diem